**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**March 24, 2010**

**Project Number** CA-2010-806

**Project Name** Hacienda Hills
Address: 67150 Hacienda Avenue
Desert Hot Springs, CA 92240 County: Riverside

**Applicant Information**
Applicant: BIASA, L.P.
Contact Ginger Hitzke
Address: 43460 Ridge Park Drive, #260
Temecula, CA 92590
Phone: (951) 699-8400 x 105 Fax: (951) 848-9975
Email: ginger@hitzkedevelopment.com
Sponsors Type: For Profit

**Information**
Housing Type: Large Family

**Bond Information**
Issuer: CSCDA
Expected Date of Issuance: 4/30/2010
Credit Enhancement: N/A

| Tax Credit Amounts | Federal/Annual | State/Total |
|---|---|---|
| Requested: | $310,440 | $0 |
| Recommended: | $310,440 | $0 |

**Project Information**
Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 60
Total # Residential Buildings: 15
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 59 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 30
Number of Units @ or below 60% of area median income: 29

**Eligible Basis**
Actual: $8,000,710
Requested: $8,000,710
Maximum Permitted: $20,160,000

**Adjustments to Threshold Basis Limit:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted

| Unit Type & Number | 2010 Rents Targeted % of Area Median Income | 2010 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|
| 30 Two-bedroom Units | 50% | 47% | $701 |
| 29 Two-bedroom Units | 60% | 53% | $780 |
| 1 Two-bedroom Unit | Manager's Unit | Manager's Unit | $200 |

The general partner or principal owner is Hitzke Development Corporation.

The project developer is Hitzke Development Corporation.

The management services will be provided by Solari Enterprises, Inc.

The market analysis was provided by Mary Ellen Shay Co.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**Project Financing**

Estimated Total Project Cost: $9,282,809 Per Unit Cost: $154,713 Construction Cost Per Sq. Foot: $24

| Construction Financing | | Permanent Financing | |
|---|---|---|---|
| Source | Amount | Source | Amount |
| Citi Community Capital | $4,707,060 | City Community Capital | $1,520,000 |
| City of Desert Hot Springs | $750,000 | City of Desert hot Springs | $750,000 |
| County of Riverside NSP | $3,282,809 | County of Riverside NSP | $4,677,316 |
| Investor Equity | $542,940 | Solar Rebate | $6,250 |
| | | Developer Equity | $311,381 |
| | | Investor Equity | $2,017,862 |
| | | **TOTAL** | **$9,282,809** |

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Rehabilitation Eligible Basis: | $4,277,472 |
| Requested Acquisition Eligible Basis: | $3,309,000 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100% |
| Qualified Rehabilitation Basis: | $5,560,714 |
| Qualified Acquisition Basis: | $3,309,000 |
| Applicable Rate: | 3.50% |
| Maximum Annual Federal Rehabilitation Credit: | $194,625 |
| Maximum Annual Federal Acquisition Credit: | $115,815 |
| Total Maximum Annual Federal Credit: | $310,440 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | $755,832 |
| Investor: | Boston Capital |
| Federal Tax Credit Factor: | $.65 |

**Cost Analysis and Line Item Review**
Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** According to the market analyst the region can expect a 15% vacancy rate. The project has been underwritten to this amount which is above TCAC's 5% vacancy underwriting standard.

**Recommendation:** Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

| **Federal Tax Credits/Annual** | **State Tax Credits/Total** |
|---|---|
| $310,440 | $0 |

**Standard Conditions**
If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credits when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

**Additional Conditions:** None

**Project Analyst:** DC Navarrette